

# Indirect Cost Recovery

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**USING FEDERAL FUNDS  
UNDER IDEA AND ESEA TO  
RECOVER “INDIRECT COSTS”**

# The “Cost” of Doing Business

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- Direct Costs
  - Federal grants fund specific activities related to meeting the goals of the project
  - Title I teacher in a Title I targeted assistance school
  
- Indirect Costs
  - Grant activities generate operational costs such as supervision and payroll, but are not directly related to conducting the grant activities

# Recovering Funds for Indirect Costs

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- Indirect Cost Recovery: Acknowledgement by the Federal Government that federally funded programs incur more than just costs directly related to the project
  - Depends on federal grant type
  - Sub-recipient must have an established indirect rate
  - This rate / percentage can be applied against the federal grant to recover funds to offset it's operating costs
  - Outlined in [OMB Circular A-87](#)

# Types of Direct Costs

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- Teacher salary /benefits
- Professional development
- Equipment
- Transportation
- Instructional materials
- Contracted services

# General Management

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## Direct Costs

- Limited to one school, subject or phase of operation, including the supervision of
  - Instruction
  - Guidance
  - Attendance
  - Transportation
  - Student Services

## Indirect Costs

- Benefits several activities and programs, including the performance of
  - Accounting
  - Payroll
  - Auditing
  - Personnel Management
  - Purchasing
  - Employee Relations

# General Management

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- Superintendent Costs - Not allowed as a direct cost on federal grants or recovered through indirect
  - Salary / benefits or any expenditures related to the operation of the Superintendent's office
- Principal's Costs – May be allowed as a direct cost on federal grants but always included as a direct cost in the restricted indirect rate calculation

# Direct or Indirect?

**Can you determine actual costs generated by the program?**

**Certain indirect costs may be categorized as direct costs depending on how they are tracked:**

- Bookkeeper
- IT Staff
- General supplies
- Copying / Printing
- Postage
- Phone

# Establishing an Indirect Rate

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- Two rates determined annually by DPI
  - DPI's Indirect Cost Plan
  - “Restricted” and “Unrestricted” rates
  - Based on audited financial data collected from the PI-1505 annual reports
- Department of Ed – Restricted Rates (lower)
  - Used for federal grants that have a supplement not supplant provision (34 CFR §76.563)



# Establishing an Indirect Rate

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- Current year's rate is based on the second preceding fiscal year's audited financial data
- Restricted Indirect Rate Calculation:

**FY 2011-12  
Total Allowed  
Indirect Costs**

**\$50,000**



**FY 2011-12  
Total  
Direct Cost Base**

**\$800,000**



**FY 2013-14  
Restricted  
Indirect Rate:**

**6.25%**

## Establishing an indirect rate

*Costs that are considered **indirect** for the purpose of determining the restricted indirect rate*

**FY 2011-12  
Total Allowed  
Indirect Costs  
\$50,000**

## FUND 10

251 000 Direction of Business

252 000 Fiscal

259 000 Other Business Administration

260 000 Central Services

These functions include business operations, financial and property accounting, payroll, inventory control, information technology services

**\*\* NOTE – Restricted indirect rate calculation does not include utility costs**

## Establishing an indirect rate

*Costs that are considered **direct** for the purposes of determining the restricted indirect rate*

**FY 2011-12  
Direct Cost  
Base**

**\$800,000**

## FUND 10, 20, 50, 72, 80, 90

100 000 Instruction  
 210 000 Support Services (SS) - Pupil  
 220 000 SS - Instructional Staff  
 230 000 SS - General Administration  
 240 000 SS - School Bldg Admin  
 255 000 SS - Facilities  
 256 000 SS - Transportation  
 258 000 SS - Internal Services  
 270 000 SS - Insurance  
 290 000 SS - Other Support  
 430 000 SS - General Tuition Payments

These functions include wages, benefits and other direct costs BUT the calculation excludes capital equipment purchases, retirement and termination payments.

# Indirect rates for all districts (School Financial Services)

[http://sfs.dpi.wi.gov/sfs\\_indirect](http://sfs.dpi.wi.gov/sfs_indirect)

## Indirect Cost Rate Computation for School Districts

⌘ Indirect Cost Rates for 2013-2014

⌘ Indirect Cost Rates for 2012-2013

⌘ Indirect Cost Rates for 2011-2012

⌘ Indirect Cost Rates for 2010-2011

⌘ Indirect Cost Rates for 2009-2010

⌘ Indirect Cost Rates for 2008-2009

⌘ Indirect Cost Rates for 2007-2008

⌘ Indirect Cost Rates for 2006-2007


⌘ Indirect Cost Rates for 2005-2006

⌘ Indirect Cost Rates for 2004-2005

⌘ Indirect Cost Rates for 2003-2004

⌘ Indirect Cost Rates for 2002-2003

⌘ Indirect Cost Rates for 2001-2002



<u>CESA/CCDEB/School District</u>	<u>Restricted Rate (%)</u>	<u>Unrestricted Rate (%)</u>
Abbotsford (0007)	4.76	18.81
Adams-Friendship Area (0014)	4.17	13.74
Albany (0063)	2.26	9.28
Algoma (0070)	5.34	14.13
Alma (0084)	2.93	14.97
Alma Center (0091)	3.92	14.71
Almond-Bancroft (0105)	3.24	13.54

# Adjustments to Increase an Indirect Rate

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- Initial calculation pulls expenditures from high level functions, not detail
  - Examples of what is included in 230 000:
    - ✦ 231 100 Board Members
    - ✦ 231 500 Legal
    - ✦ 231 700 Audit
    - ✦ 232 100 Office of the Superintendent
    - ✦ 232 900 Other District Administration

## Expenditures that qualify as Indirect

## Expenditures that qualify as Direct

251 000

\$10,000

100 000

\$500,000

252 000

\$10,000

256 000

\$100,000

259 000

\$10,000

230 000

\$200,000

260 000

\$10,000

258 000

\$100,000

\$40,000



\$900,000



4.4%

Function 230 000 includes audit costs (231 700) which are indirect costs. If they stay in the direct cost base, the indirect rate is lowered

## Expenditures that qualify as Indirect

## Expenditures that qualify as Direct

251 000

\$10,000

100 000

\$500,000

252 000

\$10,000

256 000

\$100,000

230 000

~~\$20,000~~

230 000

~~\$280,000~~

259 000

\$20,000

260 000

\$10,000

258 000

\$100,000

**\$40,000**



**\$880,000**



**4.8%**

The LEA can request an adjustment, moving the audit costs (example \$20,000) from the direct cost base to the indirect cost pool

Adjustment resulted in a 2.4% increase

# Possible Adjustments

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- Legal Costs
  - Preparation of policy, interpretation of laws and regulations
- School Census Costs
- Audit costs
- District Insurance
  - Liability
  - Property
  - Fidelity bond premiums
  - Worker's compensation
- Unemployment compensation



**We have an  
indirect  
rate...now  
what do we do  
with it?**

**How do we  
report that our  
bookkeeper is  
paid with  
indirect funds?**

**What function  
is indirect?**

# IDEA Budget (FT, PS, CEIS)

[Budget Menu](#) --> [Submit/Lock Budget Page](#) --> [Summary Report](#)

[Personnel](#) --> [Purchased Services](#) --> [Non-Capital Objects](#) --> [Capital Objects](#) --> [Insurance](#) --> [Other Objects](#) --> [Indirect](#)

<b>Amount budgeted for Flow-Through (excludes indirect):</b>	<b>\$576,615</b>
<b>Amount excluded from indirect calculation - Capital Objects:</b>	<b>\$6,000</b>
<b>Amount excluded from indirect - Contract Amounts &gt; \$25,000:</b>	<b>\$0</b>
<b>Amount against which indirect costs may be calculated(Base):</b>	<b>\$570,615</b>
<b>Restricted Indirect Rate:</b>	<b>3.6700 %</b>
<b>Maximum Indirect Amount available:</b>	<b>\$20,942</b>
<b>Available funds not currently allocated:</b>	<b>\$4,565</b>
<b>Amount to Budget for Indirect Costs:</b>	<b>\$9,000</b>
<b>Effective Indirect Rate (Indirect Budgeted / Base Cost):</b>	<b>1.5772 %</b>
<b>Indirect Claimed to Date:</b>	<b>N/A</b>

<http://dpi.wi.gov/files/wisegrants/pdf/indirect-idea.pdf>

# Title I-A

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## Step 1: Title I-A Budget Menu

### “Plan Reservations: Enter Reservations Amounts”

#### Estimated Indirect Costs

Indirect Costs (Click [Here](#) to estimate indirect costs for entire budget.): \$



Total Budget (Allocation and Carryover): 668,987

Maximum percentage available for indirect costs: 2.86 %

ESTIMATED maximum amount available for indirect costs for \$19,133  
entire budget:

# Title I-A Budget

Budget Menu --> Submit/Lock Budget Page --> Personnel --> Purchased Services --> Non-Capital Objects --> Capital Objects --> Insurance --> Other Objects --> Indirect Costs --> Summary Report --> Submission History --> Title II Transferred Funds Budget Summary

<b>Amount budgeted (excludes indirect):</b>	<b>\$660,048</b>
<b>Amount excluded from indirect calculation: Capital Objects:</b>	<b>\$5,000</b>
<b>Amount excluded from indirect: Contract Amounts &gt; \$25,000:</b>	<b>\$0</b>
<b>Amount against which indirect costs may be calculated (Base):</b>	<b>\$655,048</b>
<b>Restricted Indirect Rate:</b>	<b>2.86 %</b>
<b>Maximum Indirect Amount available:</b>	<b>\$18,734.37</b>
<b>Available funds not currently allocated:</b>	<b>\$1,939</b>
<b>Amount to Budget for Indirect Costs:</b>	<b>\$7,000.00</b>
<b>Effective Indirect Rate (Indirect Budgeted / Base Cost):</b>	<b>1.069 %</b>
<b>Indirect Claimed to Date:</b>	<b>\$0.00</b>

# Title II-A Budget

[Budget Menu](#) --> [Submit/Lock Budget Page](#) --> [Personnel](#) --> [Purchased Services](#) --> [Non-Capital Objects](#) --> [Insurance](#) --> [Other Objects](#) -->  
[Indirect Costs](#) --> [Summary Report](#) --> [Submission History](#) --> [Title II Transferred Funds Budget Summary](#)

## Direct and Indirect Administrative Cap

<b>Allocation - T2 Transfer:</b>	<b>\$337,695.00</b>
<b>Cap for indirect and direct administrative costs combined:</b>	<b>5.000 %</b>
<b>Maximum amount to be claimed for indirect and direct administrative costs combined:</b>	<b>\$16,884.75</b>
<b>Amount budgeted for direct administration:</b>	<b>\$2,500.00</b>
<b>Remaining amount available for direct administrative and indirect costs:</b>	<b>\$14,384.75</b>

## Indirect Costs

<b>Amount budgeted (excludes indirect):</b>	<b>\$332,195.00</b>
<b>Amount excluded from indirect calculation: Capital Objects:</b>	<b>\$0.00</b>
<b>Amount excluded from indirect: Contract Amounts &gt; \$25,000:</b>	<b>\$0.00</b>
<b>Amount against which indirect costs may be calculated (Base):</b>	<b>\$332,195.00</b>

<b>Restricted indirect rate:</b>	<b>3.290 %</b>
<b>Base * Restricted Indirect Rate:</b>	<b>\$10,929.22</b>
<b>Maximum amount available to budget for indirect costs:</b>	<b>\$10,929.22</b>
<b>Amount to Budget for Indirect Costs:</b>	<b>\$8,000.00</b>
<b>Effective Indirect Rate (Indirect Budgeted / Base Cost):</b>	<b>2.408 %</b>
<b>Indirect Claimed to Date:</b>	<b>\$0.00</b>

# Title III-A Budget

Budget Menu --> [Submit/Lock Budget Page](#) --> [Personnel](#) --> [Purchased Services](#) --> [Non-Capital Objects](#) --> [Capital Objects](#) --> [Insurance](#) --> [Other Objects](#) --> [Indirect Costs](#) --> [Summary Report](#) --> [Submission History](#)

## Direct and Indirect Administrative Cap

<b>Allocation:</b>	<b>\$76,530.00</b>
<b>Cap for indirect and direct administrative costs combined:</b>	<b>2.000 %</b>
<b>Maximum amount to be claimed for indirect and direct administrative costs combined:</b>	<b>\$1,530.60</b>
<b>Amount budgeted for direct administration:</b>	<b>\$900.00</b>
<b>Remaining amount available for direct administrative and indirect costs:</b>	<b>\$630.60</b>

## Indirect Costs

<b>Amount budgeted (excludes indirect):</b>	<b>\$116,326.00</b>
<b>Amount excluded from indirect calculation: Capital Objects:</b>	<b>\$2,000.00</b>
<b>Amount excluded from indirect: Contract Amounts &gt; \$25,000:</b>	<b>\$0.00</b>
<b>Amount against which indirect costs may be calculated (Base):</b>	<b>\$114,326.00</b>

<b>Restricted indirect rate:</b>	<b>3.290 %</b>
<b>Base * Restricted Indirect Rate:</b>	<b>\$3,761.33</b>
<b>Maximum amount available to budget for indirect costs:</b>	<b>\$630.60</b>
<b>Amount to Budget for Indirect Costs:</b>	<b>\$630.00</b>
<b>Effective Indirect Rate (Indirect Budgeted / Base Cost):</b>	<b>0.551 %</b>
<b>Indirect Claimed to Date:</b>	<b>\$0.00</b>

## First Step:

Account Code	Account Name	Approved Budget	Unliquidated Encumbrances (Payables)	Previously Disbursed	This Claim	Total Disbursements	Unencumbered Balance
27-100-152000-347	Early Childhood	\$2,000.00	\$0.00	\$2,000.00	\$0.00	\$2,000.00	\$0.00
27-200-152000-347	Early Childhood	\$1,200.00	\$0.00	\$1,200.00	\$0.00	\$1,200.00	\$0.00
27-300-152000-347	Early Childhood	\$1,051.00	\$0.00	\$20.00	\$0.00	\$20.00	\$1,031.00
27-400-152000-347	Early Childhood	\$1,202.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,202.00
	<b>Total</b>	<b>\$5,453.00</b>	<b>\$0.00</b>	<b>\$3,220.00</b>	<b>\$0.00</b>	<b>\$3,220.00</b>	<b>\$2,233.00</b>

*If budgeted, indirect will be automatically calculated on next screen. Rate applied will be 2.659 % (adjusted for prior claims).*

The 2.659% is the *effective* indirect rate established in the last approved budget

## Second Step:

Account Code	Account Name	Approved Budget	Unliquidated Encumbrances (Payables)	Previously Disbursed	This Claim	Total Disbursements	Unencumbered Balance
27-100-152000-347	Early Childhood	\$2,000.00	\$0.00	\$2,000.00	\$0.00	\$2,000.00	\$0.00
27-200-152000-347	Early Childhood	\$1,200.00	\$0.00	\$1,200.00	\$0.00	\$1,200.00	\$0.00
27-300-152000-347	Early Childhood	\$1,051.00	\$0.00	\$20.00	\$0.00	\$20.00	\$1,031.00
27-400-152000-347	Early Childhood	\$1,202.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,202.00
	Indirect Costs	\$145.00	\$0.00	\$0.00	\$85.62	\$85.62	\$59.38
	<b>Total</b>	<b>\$5,598.00</b>	<b>\$0.00</b>	<b>\$3,220.00</b>	<b>\$85.62</b>	<b>\$3,305.62</b>	<b>\$2,292.38</b>

*Indirect was added. Rate applied was 2.659 % (adjusted for prior claims).*

# Coding Indirect Recovery in Fund 10

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For Title I, II, III, CEIS and Title I Schoolwide Set-Aside

## Title I-A expenditures in Fund 10, Project 151

120 000 (100)	\$75,000
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120 000 (200)	\$25,000
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**E: \$100,000**

## Title I-A revenue in Fund 10, Source 751

751	\$105,000
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**R: \$105,000**

The \$5,000  
difference between  
grant expenditures &  
revenue reflects the  
indirect recovery



# Coding Indirect Recovery in Fund 27

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For flow-through and preschool

## Record Indirect Revenue Received from DPI

Fund	Type	Object / Source	Function	Debit	Credit
27	B		711 100	\$XX.XX	
27	R	730			\$XX.XX

## Record Indirect Cost Transfer Between Funds

Fund	Type	Object / Source	Function	Debit	Credit
27	E	810	418 000	\$XX.XX	
27	B		711 100		\$XX.XX

10	B		711 100	\$XX.XX	
10	R	127	418 000		\$XX.XX

# Charging Bookkeepers as a Direct Grant Cost

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Allowed for some grants (such as IDEA) – if the individual keeps appropriate time and effort records.

**BUT**

If the LEA plans to claim indirect recovery, and the LEA charged a normally indirect cost as a direct cost on the grant in the year the indirect rate is based, the LEA is required to report an adjustment and subtract the amount of costs charged to the federal grant from the indirect cost pool.

## Expenditures that qualify as Indirect

## Expenditures that qualify as Direct

251 000	\$10,000	100 000	\$500,000
252 000	<del>\$30,000</del>	252 000	<del>\$5,000</del>
259 000	\$20,000	230 000	\$100,000
260 000	\$10,000	258 000	\$100,000

The LEA must request an adjustment, moving the bookkeeper costs (example \$10,000) from the indirect cost pool to the direct cost base

Adjustment resulted in a 0.08% decrease

~~\$68,000~~



~~\$708,000~~



~~9.82%~~

# Indirect Cost Rate Adjustment, PI-1161

<http://sfs.dpi.wi.gov/files/forms/pdf/pod1161.pdf>

## I. ACCOUNT ADJUSTMENTS *(Optional)*

*Some General Funds costs can be considered both restricted and unrestricted indirect costs. Refer to detailed instructions in Local Educational Agency Indirect Cost Plan.*

Account Code	Account Name	Indirect Restricted	Indirect Unrestricted	Direct Cost	Excluded Cost
10 - 231 700	Audit	\$ 20,000	\$20,000	(\$20,000)	\$0
27 - 252 000	Fiscal	(\$ 5,000)	(\$ 5,000)	\$ 5,000	\$0
Total Adjustments		\$ 15,000	\$15,000	(\$15,000)	\$0

# Why Claim Indirect?

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- Costs that are by nature indirect should be covered by the indirect cost recovery – no time & effort requirement and does not restrict what the individual works on.
- Assists in reducing the amount of federal funds carried across fiscal years.
- Provides the LEA relief for indirect costs that are generated by supporting the large federal programs.

# Technical Assistance

## **School Financial Services Indirect Page:**

[http://sfs.dpi.wi.gov/sfs\\_indirect](http://sfs.dpi.wi.gov/sfs_indirect)

## **Federal Grant Indirect Overview:**

<http://dpi.wi.gov/files/wisegrants/pdf/indirect-fed.pdf>